

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6126**

**BILL NUMBER:** SB 241

**DATE PREPARED:** Dec 29, 2000

**BILL AMENDED:**

**SUBJECT:** Sales Tax Exemption for Vending Machine Food.

**FISCAL ANALYST:** John Parkey

**PHONE NUMBER:** 232-9854

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State

STATE IMPACT	FY 2001	FY 2002	FY 2003
State Revenues		(3,500,000)	(8,900,000)
State Expenditures			
Net Increase (Decrease)		(3,500,000)	(8,900,000)

**Summary of Legislation:** This bill deletes a provision stating that food sold through a vending machine is subject to the Gross Retail Sales and Use Tax.

**Effective Date:** January 1, 2002.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** This proposal will reduce the amount of tax revenue received from sales through vending machines. It is estimated that sales tax revenue from vending machines will be approximately \$8.5 M in FY 2002. Since this proposal becomes effective January 1, 2002, the expected revenue loss would be \$3.5 M in FY 2002. The impact is less than half of the full FY 2002 collections because of the timing of the remittance of sales tax revenue. Tax on vending machine sales in December 2001 would be remitted to the Department of State Revenue in January 2002. The loss in FY 2003 is expected to be \$8.9 M.

This analysis assumed that sales of snack foods, hot beverages, microwavable foods, dairy products, and juice would be exempt from sales taxes. The sale of candy, gum, and soft drinks were assumed to remain

taxable.

To estimate the impact of this bill on vending machine sales tax revenue, vending machine sales data were collected from two industry sources, Automatic Merchandiser and Vending Times. Using 1999 sales data from Automatic Merchandiser resulted in an estimated FY 2002 impact of \$8.8 M. Estimates based on 1998 data from Vending Times resulted in a FY 2002 impact of \$8.1 M. Both of these estimates assumed a yearly 4.84% increase in Indiana vending machine sales (the estimated yearly growth rate in sales tax revenue from FY 1999 to FY 2003). Taking the mid-point of these two estimates yields an impact of approximately \$8.5 M for the full year of FY 2002. However, since the effective date of this bill is January 1, 2002, and because of the timing of the sales tax remittances, the actual estimates are:

FY 2002	\$ 3.5 M
FY 2003	\$ 8.9 M

Gross Retail (Sales) and Use taxes are deposited in the State General Fund (59.03%), the Property Tax Replacement Fund ( 40%), the Public Mass Transportation Fund (0.76%), the Industrial Rail Service Loan Fund (0.04%), and the Commuter Rail Service Fund (0.17%).

The annual reductions to these funds for FY 2003 (the first full year of impact) are estimated to be:

State General Fund	\$ 5,535,300
Property Tax Replacement Fund	\$ 3,547,552
Public Mass Transit Fund	\$ 67,403
Industrial Rail Service Loan Fund	\$ 3,548
Commuter Rail Service Fund	\$ 15,077
Total	\$ 8,868,880

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** Vending Times, "Census of the Industry, 1998"; Automatic Merchandiser, "2000 State of the Vending Industry Report"; U.S. Census Bureau; *December 19, 2000, Revenue Forecast Update*.